Before the Federal Communications Commission Washington, D.C. 20554

RECEIVED
7
ket No. 98-79
ket No. 98-79

In the Matter of)	Carrie de la companya del companya del companya de la companya de
GTE Telephone Operating Companies)	CC Docket No. 98-79
GTOC Tariff No. 1)	
GTOC Transmittal No. 1148)	

REPLY OF PACIFIC BELL TO COMMENTS IN SUPPORT OF MCI WORLDCOM AND NARUC PETITIONS FOR RECONSIDERATION

Pacific Bell submits this reply to the comments submitted in support of the MCI Worldcom and NARUC petitions for reconsideration and/or requests for clarification of the Commission's GTE ADSL Tariff Order.¹

I. OVERVIEW

Some of the comments in support of the MCI Worldcom and NARUC filings contend there is no record support for the conclusion that ADSL access to the Internet is jurisdictionally interstate.² Others concede the jurisdictional point, but contend the Commission should clarify that its classification is only for jurisdictional purposes. For regulatory purposes, they contend the call should be treated as an enhanced service such that the telecommunications ends where the enhanced service begins.³ None of these points has merit.

No. of Copies rec'd D+4 List ABCDE

Reply Comments of Pacific Bell CC Docket No. 98-79 January 19, 1999

¹ Such comments were submitted by KMC Telecom, Transwire Communications, RCN Telecom Services, ACI Corp., CTSI, Telecommunications Resellers Association, Hyperion Telecommunications, Logix Communications, ALTS, California Public Utility Commission, Washington Utilities and Transportation Commission, and Minnesota Department of Public Service *et al.*

² KMC Telecom, p. 9.

³ ACI Corp., p. 3; CTSI, p. 3.

II. THE RECORD DOES SUPPORT THE CONCLUSION THAT ADSL ACCESS TO THE INTERNET IS JURISDICTIONALLY INTERSTATE

The Internet is part of the World Wide Web. No one seriously disputes that fact or that you can communicate on the Internet with others, not only throughout this country, but around the world.

Can there also be intrastate uses of ADSL technology as claimed by Hyperion,
Transwire, and KMC? Absolutely. Subscribers can use the technology to access
corporate local area networks or LANs or for non-Internet applications, but that does not
mean such access is necessarily limited to or even primarily used for intrastate or nonInternet applications. For example, in house counsel for a multistate company in Texas
may use ADSL to access the local company intranet, and also use it to e-mail company
attorneys or clients in other states, to communicate with outside counsel in Washington,
D.C., to contact the FCC's web site in D.C., or to contact and do research on
LEXIS/NEXIS or WESTLAW databases located out of state.

Indeed, while Hyperion suggests it may have some preliminary evidence showing 90% or greater intrastate use,⁴ while Transwire suggests there are Extranet applications,⁵ and while KMC references a process called "caching" or "mirroring" of web sites on local servers,⁶ their references prove nothing. Hyperion, for example, does not disclose the arrangement it studied and does no more than reference what it calls "preliminary results."

⁴ Hyperion, p. 2.

⁵ Transwire, pp. 3-4.

⁶ KMC, pp. 9-10.

Both logic and empirical "real" data support entirely different conclusions. Park Region Telephone Company conducted an analysis and determined that less than two percent of the hits on its Minnesota web site were intrastate. The results of SBC's analysis were similar showing that 92% to 99% of the Internet usage it carries is interstate depending upon the State. Moreover, the nation's largest Internet Provider – America On Line (AOL) – has its service located in Virginia and calls to its service from anywhere else would be obviously interstate.

While there may be Extranet uses as Transwire claims, the fact remains - as pointed out by a group of retail internet service providers - that "today essentially the only reason that a consumer or a small business would order xDSL is to obtain high-speed access to the Internet." In other words, that ADSL technology can or may be used for other purposes does not negate the fact that its primary use is to provide interstate access to the Internet and the World Wide Web.

KMC's claim is even less logical. The utility and, indeed, much of the fun of the Internet is access to the World Wide Web, not to some local database. And no local database is ever going to be large enough to duplicate or capture all of the data and information that are available on the World Wide Web. "Caching" and "mirroring" also would not address the preferences of the consumer market for wide area chat lines,

⁷ Comments of Park Region Telephone Company, CC Docket No. 80-286, p. 1.

⁸ A summary of SBC's analysis is attached.

⁹ Comments of Retail Internet Service Providers, CC Docket 98-146, p. 7.

e-mail, interactive games and Internet telephony.¹⁰ In addition, "caching" may not be the answer. One company recently reported that "network performance actually went down with caching."¹¹ So "caching" and "mirroring" are not going to change the fundamental nature of the Internet or transform it into one that only has intrastate use.

III. CONGRESS EXPRESSLY RECOGNIZED IN THE '96 ACT THAT ACCESS TO INFORMATION SERVICE PROVIDERS IS GOVERNED BY THIS COMMISSION'S REGULATIONS.

RCN Telecom makes the novel argument that ADSL is not "exchange access" or an "access service" as those terms are used in connection with the provision of telephone services, and contends those terms only apply to "telephone toll services." The implication is that this Commission's jurisdiction over "exchange access" and "access service" is limited solely to when they are used to provide "toll services" and that it does not have jurisdiction over calls by Internet subscribers to the Points of Presence (POPs) of Information Service Providers (ISPs).

Nothing could be further from the truth. In fact, in the only provision of the '96

Act dealing expressly with information access or access to the service of ISPs, Congress

explicitly recognized that such access is subject to the Commission's regulations and

¹⁰ Consumers use the Internet for e-mail as an alternative to facsimiles and Internet Telephony as an alternative to regular long distance messaging because they are cheaper than the older phone-based technologies. *See USA TODAY*, Tuesday, February 10, 1998, Section: Money, Page 1B. However, the incentive to move to alternatives would not be there in the situation described by KMC. Why log on to your PC and then access the Internet, if you can pick up your phone and call across town with no per minute charges?

¹¹ Network World, "Cache Beats Back Bandwidth Blues," Section: APPS; p. 45 (November 16, 1998).

¹² RCN Telecom, pp. 3-4.

specifically grouped it in the same category as access to interexchange carriers. Section 251(g) of the Act provides:

"On and after the date of enactment of the Telecommunications Act of 1996, each local exchange carrier, to the extent it provides wireline services, shall provide exchange access, information access, and exchange services for such access to interexchange carriers and information service providers in accordance with the same equal access and nondiscriminatory interconnection restrictions and obligations (including receipt of compensation) that apply to such carrier on the date immediately preceding the date of enactment of the Telecommunications Act of 1996 under any court order, consent decree, or regulation, order, or policy of the Commission, until such restrictions and obligations are explicitly superseded by regulations prescribed by the Commission after the date of enactment."

[Emphasis added].

In both instances, Congress specifically isolated and distinguished interexchange and information service access from the local services to which the Act's other provisions apply. Consistent therewith, the Commission determined in its *Interconnection Order* that the reciprocal compensation provisions of the Act do not apply to such traffic.¹³

IV. THE COMMISSION PROPERLY REJECTED THE ARGUMENT THAT ADSL ACCESS TO THE INTERNET TERMINATES AT THE ISP.

Some of the comments suggest that the Commission has abandoned the distinction between "telecommunications" and "information services", and that it should have treated ADSL access as terminating at the ISP (*i.e.*, "for *regulatory* purposes telecommunications ends where information service begins.")¹⁴ The Commission

¹³ First Report and Order, Implementation of the Local Competition Provisions in the Telecommunications Act of 1996, CC Docket 96-98, released August 8, 1996, ¶¶ 1034 & 1035.

¹⁴ CTSI, pp. 3-5; KMC, pp.13-15; Logix, pp. 2-5.

properly rejected this argument for the reason that a transmission component is still needed for users to access information after the call arrives at the POP of the ISP.¹⁵

If the comments making this argument were right, then the incumbent local exchange carriers (ILECs) would only be responsible for the call set-up time. But they make no such suggestion. Indeed, the very motive behind the argument for treating these calls as local and as ending at the ISP is to obtain compensation for terminating every minute of every call to the ISP from the ILEC and thereby to create a subsidy. As noted, this is not a proper interpretation of the Act and ignores years of Commission precedent and jurisdictional analysis.¹⁶

¹⁵ Memorandum Opinion and Order, CC Docket No. 98-79, released October 30, 1998, ¶¶ 17 & 20. [As explained in the Universal Service Report to Congress, because information services are offered via telecommunications, they necessarily require a transmission component in order for users to access information. We, therefore, analyze ISP traffic as a continuous transmission from the end user to a distant Internet site.]

¹⁶ See Pacific Bell Opposition, CC Docket No. 98-79, n. 8.

V. CONCLUSION

Despite their best efforts, the comments in support of the MCI Worldcom and NARUC Petitions for Reconsideration and/or Requests for Clarification do little to shore up the Petitioners' claims. The Commission correctly ruled that ADSL access to the Internet is interstate, its decision is amply explained, and it is fully supported by the evidence.

Respectfully submitted,

PACIFIC BELL

Robert M. Lynch

Roger K. Toppins

Mark Royer

One Bell Plaza, 30th Floor

Dallas, TX 75202

214-464-2217

Attorneys for Pacific Bell

January 19, 1999

SBC ANALYSIS: SUMMARY AND RESULTS

The ISP performed a high level analysis of the jurisdictional nature (Interstate versus Intrastate) of its customers' Internet traffic. This traffic is grouped into three major classes of service: E-mail, Newsgroup Reading and Surfing of Web Sites (browsing). The ISP defines Newsgroup reading as the posting and reading of Usenet articles. "Browsing" is defined as all other forms of Internet usage, including but not limited to hyper-text transfer protocol (http), file transfer protocol (ftp), telnet, and games data packet routing.

Based on the ISP's analysis, the three classes of service provided can be broken down into their respective percentage of all the ISP's Internet traffic:

E-mail traffic	36.44
News traffic	27.47
Browse traffic	39.09

In a sampling of registered Internet domains existing in the United States, 7.1 percent exists in Texas. The same sampling showed Missouri to have .06 percent, Arkansas to have .9 percent, Kansas to have 1.7 percent and Oklahoma to have 1.7 percent. The remaining 45 States have 88.53% of the domains in the sample. If all traffic across the Internet is normal, the ISP extrapolated that the higher a density of registered domains in a state, the higher amount of traffic should be generated to that state from external states. The ISP sends all E-mail and News articles from a Central Site in Texas by the ISP to the Internet. Because all other states in the ISP's network send E-mail and News articles to the central site, nearly all of the e-mail and news posts are Interstate. Based on the ISP's analysis, Texas has a higher percentage of intrastate traffic than the other states in which it provides service. Given the above data and assumptions, the ISP estimates the following usage per state to be Interstate and Intrastate:

State	Percent Interstate	Interstate Breakdown By Service
ARKANSAS	99.67	
E-mail		36.44
News Reading		27.47
Browsing		35.76
KANSAS	99.28	
E-mail		36.44
News Reading		27.47
Browsing		35.37

State	Percent Interstate	Interstate Breakdown By Service
MISSOURI	99.99	
E-mail		36.44
News Reading		27.47
Browsing		36.09
OKLAHOMA	99.38	
E-mail		36.44
News Reading		27.47
Browsing		35.47
TEXAS	92.88	
E-mail		33.85
News Reading		25.51
Browsing		33.52

Certificate of Service

I, Mary Ann Morris, hereby certify that the foregoing "Reply Comments of SBC Communications," in CC Docket No. 98-79 has been served on January 19, 1999 to the Parties of Record.

Mary Ann Morris

January 19, 1999

MAGALIE ROMAN SALAS
OFFICE OF THE SECRETARY
FEDERAL COMMUNICATIONS COMMISSION
445 - 12TH STREET SW
TW-A325
WASHINGTON DC 20554
(ORIGINAL & 4 COPIES)

ITS 1231 20TH ST NW WASHINGTON DC 20036

CHIEF, COMPETITIVE PRICING DIVISION 1919 M STREET, NW ROOM 518 WASHINGTON DC 20554 MARK C ROSENBLUM J MANNING LEE AT&T 295 NORTH MAPLE AVENUE ROOM 3245H1 BASKING RIDGE NJ 07920

FRANK W LLOYD MINTZ LEVIN COHN FERRIS GLOVSKY & POPEO 701 PENNSYLVANIA AVENUE NW SUITE 900 WASHINGTON D.C. 20004-2508 EDWARD A YORKGITIS KELLEY DRYE & WARREN 1200 19TH STREET NW 5TH FLOOR WASHINGTON D.C. 20038

JEFFREY BLUMENFELD
GLENN B MANISHIN
STEPHANIE A JOYCE
BLUMENFELD & COHEN
TECHNOLOGY LAW GROUP
1615 M STREET NW SUITE 700
WASHINGTON D.C. 20036

ALAN BUZACOTT RICHARD S WHITT MCI WORLDCOM INC 1801 PENNSYLVANIA AVENUE NW WASHINGTON D.C. 20006

RICHARD M RINDLER
PAMELA S ARLUK
SWIDLER BERLIN SHEREFF FRIEDMAN L L P
3000 K STREET NW
SUITE 300
WASHINGTON D.C. 20007

ERIC J BRANFMAN MORTON J POSNER SWIDLER BERLIN SHEREFF FRIEDMAN L L P 3000 K STREET NW WASHINGTON D.C. 20007 CHERYL CALLAHAN NEW YORK PUBLIC SERVICE COMMISSION 2 EMPIRE STATE PLAZA ALBANY NY 12223-1350 DONNA N LAMPERT
JAMES A KIRKLAND
MINTZ LEVIN COHN FERRIS GLOVSKY
& POPEO P C
701 PENNSYLVANIA AVENUE NW SUITE 900
WASHINGTON D.C. 20004-2808

RICHARD J METZGER ALTS 888 17TH STREET NW SUITE 900 WASHINGTON D.C. 20006 LAURA PHILLIPS DOW LOHNES & ALBERTSON 1200 NEW HAMPSHIRE AVE NW SUITE 800 WASHINGTON D.C. 20036

BARBARA A DOOLEY CIX 1041 STERLING ROAD SUITE 104A HERNDON VA 20170

MICHAEL T WEIRICH OREGON PUBLIC UTILITY COMMISSION DEPARTMENT OF JUSTICE 1162 COURT STREET NE SALES OR 97310

BRAD E MUTSCHELKNAUS JONATHAN E CANIS KELLEY DRYE & WARREN L L P 1200 19TH STREET NW 5TH FLOOR WASHINGTON D.C. 20036 ROBERT J AAMOTH KELLEY DRYE & WARREN L L P 1200 19TH STREET NW 5TH FLOOR WASHINGTON D.C. 20036

RODNEY L JOYCE SHOOK, HARDY & BACON 1101 PENNSYLVANIA AVENUE NW SUITE 800 WASHINGTON D.C. 20004-2615 STEVEN GOROSH NORTHPOINT COMMUNICATIONS INC 222 SUTTER STREET SAN FRANCISCO CA 94108 JANE JACKSON CHIEF COMPETITIVE PRICING DIVISION FEDERAL COMMUNICATIONS COMMISSION 1919 M STREET NW ROOM 518 WASHINGTON D.C. 20554 JUDITH A NITSCHE
CHIEF TARIFF & PRICE ANALYSIS BRANCH
COMPETITIVE PRICING DIVISION
FEDERAL COMMUNICATIONS COMMISSION
1919 M STREET NW ROOM 518
WASHINGTON D.C. 20554

ROBERT PEPPER FEDERAL COMMUNICATIONS COMMISSION 1919 M STREET NW ROOM 822 WASHINGTON D.C. 20554 HAROLD FURCHTGOTT-ROTH COMMISSIONER FEDERAL COMMUNICATIONS COMMISSION 1919 M STREET NW ROOM 802 WASHINGTON D.C. 20554

MICHAEL K POWELL COMMISSIONER FEDERAL COMMUNICATIONS COMMISSION 1919 M STREET NW ROOM 844 WASHINGTON D.C. 20554 ANATOLE NAGY ATU TELECOMMUNICATIONS 600 TELEPHONE AVENUE MS B ANCHORAGE AK 99503

JAMES D SCHLICHTING COMPETITIVE PRICING DIVISION FEDERAL COMMUNICATIONS COMMISSION 1919 M STREET NW ROOM 518 WASHINGTON D.C. 20554

WILLIAM E KENNARD CHAIRMAN FEDERAL COMMUNICATIONS COMMISSION 1919 M STREET NW ROOM 814 WASHINGTON D.C. 20554

SUSAN NESS COMMISSIONER FEDERAL COMMUNICATIONS COMMISSION 1919 M STREET NW ROOM 832 WASHINGTON D.C. 20554 GLORIA TRISTANI COMMISSIONER FEDERAL COMMUNICATIONS COMMISSION 1919 M STREET NW ROOM 828 WASHINGTON D.C. 20554 GAIL L POLIVY GTE SERVICE CORPORATION 1850 M STREET NW SUITE 1200 WASHINGTON DC 20036 M ROBERT SUTHERLAND RICHARD M SBARATTA BELLSOUTH CORPORATION BELLSOUTH TELECOMMUNICATIONS INC 1155 PEACHTREE STREET NE ATLANTA GA 30309-3610

RICH LERNER
FEDERAL COMMUNICATIONS COMMISSION
ROOM 518
1919 M STREET N W
WASHINGTON DC 20554

TAMARA PREISS
FEDERAL COMMUNICATIONS COMMISSION
ROOM 518
1919 N STREET N W
WASHINGTON DC 20554

JOHN F RAPOSA GTE SERVICE CORPORATION 600 HIDDEN RIDGE HQE3J27 IRVING TX 75038 R MICHAEL SENKOWSKI GREGORY J VOGT BRYAN N TRAMONT WILEY REIN & FIELDING 1776 K STREET N W WASHINGTON DC 20006

JANET S LIVENGOOD ESQ DIRECTOR OF REGULATORY AFFAIRS HYPERION TELECOMMUNICATIONS INC DDI PLAZA TWO 500 THOMAS STREET SUITE 400 BRIDGEVILLE, PA 15017-2838 SUSAN M EID MEDIAONE GROUP INC 1919 PENNSYLVANIA AVENUE NW SUITE 610 WASHINGTON DC 20006

MICHAEL DUKE KMC TELECOM INC 3075 BRECKENRIDGE BOULEVARD SUITE 415 DULUTH GA 30096 DHRUV KANNA COVAD COMMUNICATIONS COMPANY 2230 CENTRAL EXPRESSWAY SANTA CLARA CA 95050 WILLIAM IEBY
VIRGINIA STATE CORPORATION COMMISSION
DIVISION OF COMMUNICATIONS
1300 EAST MAIN STREET
P O BOX 1197
RICHMOND VA 23219

JEFFREY D GOLTZ
WASHINGTON UTILITIES & TRANSPORTATION
COMMISSION
1400 SOUTH EVERGREEN PARK DRIVE SW
P O BOX 40128
OLYMPIA WA 98504-0128

MITCHELL LAZARUS FLETCHER HEALD & HEILDRETH 1300 NORTH 17TH STREET ELEVENTH FLOOR ARLINGTON VA 22209

ELLEN S LEVINE CALIFORNIA PUBLIC UTILITIES COMMISSION 5050 VAN NESS AVENUE SAN FRANCISCO CA 94102

LAWRENCE MALONE NEW YORK STAT DEPT OF PUBLIC SERVICE 3 EMPIRE STATE PLAZA ALBANY NY 12223 BARRY PINLES GST TELECOM INC 4001 MAIN STREET VANCOUVER WA 98663

GARY L PHILLIPS AMERITECH 1401 H STREET NW SUITE 1020 WASHINGTON CD 20005 DAVID E SCREVEN
PENNSYLVANIA PUBLIC UTILITY COMMISSION
P O BOX 3265
HARRISBURG PA 17105

JONATHAN JACOB NADLER SQUIRE, SANDERS & DEMPSEY 1201 PENNSYLVANIA AVE NW WASHINGTON DC 20044 DANA FRIX MICHAEL W FLEMING SWIDLER BERLIN SHEREFF FRIEDMAN L L P 3000 K STREET NW SUITE 300 WASHINGTON DC 20007 RUSSELL M BLAU MICHAEL W FLEMING SWINDLER BERLIN SHEREFF FRIEDMAN LLP 3000 K STREET N W WASHINGTON DC 20007

LAWRENCE W KATZ
BELL ATLANTIC
1320 NORTH COURT HOUSE ROAD
8TH FLOOR
ARLINGTON VA 22201

GENEVIEVE MORELLI EXECUTIVE VICE PRESIDENT AND GENERAL COUNSEL COMPTEL 1900 M STREET NW SUITE 800 WASHINGTON DC 20036 BRIAN CONBOY THOMAS JONES WILLKIE FARR & GALLAGHER THREE LAFAYETTE CENTRE 1155 21ST STREET NW WASHINGTON DC 20036

LAWRENCE E SARJEANT LINDA KENT KEITH TOWNSEND JOHN W HUNTER USTA 1401 H STREET NW SUITE 600 WASHINGTON DC 20005

JOHN L CLARK GOODIN, MACBRIDE, SQUERI, SCHLOTZ & RITCHIE L L P 505 SANSOME STREET 9TH FLOOR SAN FRANCISCO CA 94111

WILLIAM T LAKE
JOHN H HARWOOD II
LYNN R CHARYTAN
DAVID M SOHN
WILMER, CUTLER & PICKERING
2445 M STREET NW
WASHINGTON DC 20037

ROBERT B MCKENNA U S WEST INC SUITE 700 1020 19TH STREET NW WASHINGTON DC 20036

CINDY Z SCHONHAUT ICG COMMUNICATIONS INC 161 INVERNESS DRIVE ENGLEWOOD CO 80112 ALBERT H KRAMER MICHAEL CAROWITZ DICKSTEIN SHAPIRO MORIN & OSHINSKY LLP 2101 L STREET NW WASHINGTON DC 20037-1526 RUTH MILKMAN THE LAWLER GROUP 7316 WISCONSIN AVENUE SUITE 400 BETHESDA MD 20814 J DANIEL LONG ASSISTANT COMMISSION ATTORNEY NORTH CAROLINA UTILITIES COMMISSION P O BOX 29510 RALEIGH NC 27626-0510

CHARLES D GRAY
JAMES BRADFORD RAMSAY
NARUC
1100 PENNSYLVANIA AVE NW
P O BOX 684 SUITE 608
WASHINGTON DC 20044-0684

STEVEN T NOURSE ASSISTANT ATTORNEY GENERAL PUBLIC UTILIES SECTION 180 E BROAD ST 7TH FLOOR COLUMBUS OH 43215

STEPHEN J DAVIS
CHIEF
OFFICE OF POLICY DEVELOPMENT
PUC OF TEXAS
1701 N CONGRESS AVENUE
P O BOX 13326
AUSTIN TX 78711-3326

GEORGE VRADENBURG III
WILLIAM W BURRINGTON
JILL A LESSER
STEVEN N TEPLITZ
AMERICAN ONLINE INC
1101 CONNECTICUT AVENUE NW SUITE 400
WASHINGTON DC 20036

KEVEN TIMPANE ESTHER H ROSENTHAL FIRST WORLD COMMUNICATIONS INC 9333 GENESSE AVENUE SAN DIEGO CA 92121 DAVID N PORTER MCI WORLDCOM INC 1120 CONNECTICUT AVENUE NW SUITE 400 WASHINGTON DC 20036

CHARLES C HUNTER
CATHERINE M HANNAN
HUNTER COMMUNICATIONS LAW GROUP
1620 I STREET N W
SUITE 701
WASHINGTON DC 20006

RANDALL B LOWE
JULIE A KAMINSKI
RENEE ROLAND CRITTENDON
PIPER & MARBURY L L P
1200 NINETEENTH STREET NW
WASHINGTON DC 20036

JEANNIE SU
DAN LIPSCHULTZ
LIANNE KNYCH
ASSISTANT ATTORNEYS GENERAL
SUITE 1200 NCL TOWER
445 MINESOTA STREET
ST PAUL MN 55101-2130